

# SANTA ANA DISTRICT NEWSLETTER

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## SADO Open House

The Santa Ana District Office hosted an Open House on February 25th to invite the public to view the results after three months of renovation. An enthusiastic crowd of 150 lenders, business and community leaders dropped in to network, enjoy good food and check out the newly built state-of-the-art training center and conference room. The office was also treated to new carpet and a fresh coat of paint.

The entire office pitched in during the renovation process, helping to move boxes, cabinets, and in some cases, construction debris! Kudos to the SADO team for being patient and helping out.

Many thanks to Director Quijada for diligently championing the remodeling effort since his arrival to SADO. Thank you to BDS Tony Mangohig, SADO's 'construction project manager', for ensuring the job was completed according to plans.

LBDS Jill Andrews did a great job coordinating the food and refreshments we enjoyed and the entire team helped in buying or making a dish.

BDS Gloria Aguilar did a fantastic job documenting the event with her camera!

Finally, the biggest thanks of all goes to the Open House attendees- we sincerely appreciated your presence and hope you enjoyed the time!



**Open House attendees check out the remodeled space**

Inland Empire  
WBC

Coachella Valley  
WBC

CHARO SBA WBC

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**Guests enjoy the networking opportunity**



**Eduardo Figueroa, Ray Wells, Sylvia Gutierrez and Paul Smith**

## **SBA Programs And The American Recovery And Reinvestment Act**

On February 17th, President Obama signed into law an economic stimulus plan which is anticipated to have a significant impact on small businesses and on the credit crunch, providing tax incentives and financing opportunities that will help create jobs.

The American Recovery and Reinvestment Act contains a package of loan fee reductions, higher guarantees, new SBA programs, secondary market incentives, and enhancements to current SBA programs that will help unlock credit markets and begin economic recovery for the nation's small business sector.

The bill provides \$730 million to SBA and makes changes to the agency's lending and investment programs so that they can reach more small businesses that need help. The funding includes:

\$375 million for temporary fee reductions or eliminations on SBA loans and increased SBA guaranteed

shares, up to 90 percent for certain loans

\$255 million for a new loan program to help small businesses meet existing debt payments

\$30 million for expanding SBA's Microloan program, enough to finance up to \$50 million in new lending and \$24 million in technical assistance grants to microlenders

\$20 million for technology systems to streamline SBA's lending and oversight processes

\$15 million for expanding SBA's Surety Bond Guarantee program

\$25 million for staffing up to meet demands for new programs

\$10 million for the Office of Inspector General

The bill also authorizes refinancing for certain SBA loans so borrowers can expand their businesses on favorable terms, and expands leverage capability for Small Business Investment Companies.

The stimulus bill takes a comprehensive approach and attacks several problems facing small businesses at once by reducing fees, guaranteeing a greater share of certain loans, expanding capacity in the Microloan program, providing new loans to help small businesses keep their doors open through economic hardship, as well as new mechanisms to help unfreeze the secondary markets for SBA-backed loans.

Declines in SBA lending volume last year, which are continuing in FY 2009, reflect problems in the broader credit markets, and present hurdles to small businesses that are seeking credit in the current economy. The financial crisis has created a variety of conditions that impact small businesses, including a lack of liquidity in the banking system, a reluctance of many lenders to extend new loans, tightened credit standards, weaker finances at small businesses, and uncertainty about taking on new debt on the part of many entrepreneurs.

The Recovery Act addresses small businesses' lending problems, and addresses key investment and contracting issues. The bill helps Small Business Investment Companies better leverage investment capital to reach more small companies. The bill also increases the current contract limit for SBA's Surety Bond Guarantee program, which will help small businesses compete for contracts.

### **90 Percent Guarantee**

The bill allows SBA to raise its loan guarantee from the current levels to as much as 90 percent for some loans. At present, SBA can guarantee loans up to 85 percent on loans up to \$150,000, and up to 75 percent on loans greater than \$150,000. The 50 percent guarantee on SBA Express loans would remain unchanged. Increasing the SBA guarantee percentage will encourage lenders to extend more capital to small businesses by increasing the share covered by an SBA guarantee.

### **Business Stabilization Loans**

The bill creates a new SBA loan program to provide deferred-payment loans of up to \$35,000 to viable small businesses that need the money to make payments on an existing, qualifying loan for up to six months. These loans will be 100 percent guaranteed by SBA. Repayment would not have to begin until 12 months after the loan is fully disbursed. The bill provides \$255 million for this new program. These loans will help ensure that small businesses have time to re-focus their business plans in order to succeed in the long run.

### **Microloans**

The bill expands SBA's Microloan program, which provides small loans (up to \$35,000) paired with technical assistance to start-up, newly established or growing small businesses. The bill provides funding to increase loans from SBA to participating Microlenders by \$30 million through September 30, 2010, and adds \$24 million in grants to provide technical assistance to borrowers. Historically, these loans reach low-income individuals, women and minorities in both rural and urban areas. Expanding this program through the stimulus bill will help ensure these entrepreneurs are not left behind in the credit crunch.

### **Refinancing**

The bill also gives SBA the power to use the 504 Certified Development Company program to refinance existing loans for fixed assets, providing fresh support for small business expansion. This change will help business owners expand their current development projects and create jobs in their communities.

### **Secondary Market Expansion**

The bill authorizes SBA to establish a secondary market for pools of "first lien" loans under the 504 program. These "first lien" loans from commercial lenders currently have no SBA guarantee. The bill authorizes SBA to deploy federal guarantees for pools of these first lien loans, so that they can be sold to investors in a secondary market. Providing liquidity for these first mortgages will help encourage lenders to continue participating in SBA's 504 loan program, which provides a key source of capital for

community development and other projects.

The bill also empowers SBA to set up a Secondary Market Lending Authority that would make direct loans to broker-dealers that participate in the secondary market for SBA-guaranteed 7(a) loans. These broker-dealers would use the funds to purchase SBA-backed loans from commercial lenders, assemble them into pools and sell them to investors in the secondary loan market. This program may help address some of the issues facing the secondary market for SBA loans and may ultimately help SBA lenders make new loans to borrowers.

### **Investment Program**

The bill helps SBA-licensed Small Business Investment Companies (SBICs) and families of SBIC funds better leverage the capital they use to invest in small businesses. The bill sets maximum levels of funding the agency can provide to these companies at up to three times the private capital raised by those companies, or \$150 million, whichever is less. It also raises the percentage any one SBIC can invest in a single small business to 10 percent of total capital, and raises from 20 percent to 25 percent the percentage of any licensee's dollar investments that must be made in "smaller" businesses.

### **Surety Bonds**

The bill also raises the maximum contract amount that can be covered by an SBA guaranteed surety bond from \$2 million to \$5 million, and, under certain circumstances, for contracts amounting to \$10 million, and provides additional funds to cover the costs of expanding this program. Small businesses need surety bonds in order to bid on and obtain many federal and other contracts. SBA guarantees surety bonds to small businesses that private surety companies would not otherwise be able to extend.

The Santa Ana District Office is awaiting further details and will update you as soon as new information is made available.

If you need more information, please contact either Deputy Director [Rachel Baranick](#) or Lender Relations Specialist [Stephen Leung](#).

## **Scam Alert!**

### ***SBA Warns of Fraudulent Attempts to Obtain Bank Account Information from Small Businesses***

The U.S. Small Business Administration issued a scam alert to small businesses, warning them not to respond to letters falsely claiming to have been sent by the SBA asking for bank account information in order to qualify them for federal tax rebates.

The fraudulent letters were sent out with what appears to be an SBA letterhead to small businesses across the country, advising recipients that they may be eligible for a tax rebate under the Economic Stimulus Act, and that SBA is assessing their eligibility for such a rebate. The letter asks the small business to provide the name of its bank and account number.

These letters have not been sent by or authorized by the SBA, and all small businesses are strongly advised not to respond to them.

The scheme is similar in many ways to e-mail scams often referred to as "phishing" that seek personal data and financial account information that enables another party to access and individual's bank accounts or to engage in identity theft.

The SBA is working with the SBA Office of Inspector General to investigate this matter. The Office of Inspector General asks that anyone who receives such a letter report it to the OIG Fraud Line at 1 (800) 767-0385, or e-mail at [OIGHotline@sba.gov](mailto:OIGHotline@sba.gov).

A link to the press release can be found [here](#).



## SADO Signs Strategic Alliance Memorandum With California Space Authority



Attendees at our recent Open House witnessed the signing of a strategic alliance memorandum between our office and the [California Space Authority](#).

This alliance will strengthen the offering of business support and assistance programs for the space enterprise supplier and subcontractor network in the Orange, Riverside and San Bernardino County areas.

Programs to be provided as a result of this collaboration will include campaigns to lower carbon emissions and systems to "green" up manufacturing methods. In so doing, CSA and the SBA expect to improve supply chain opportunities in gaining contracts both domestically and internationally, both of which will grow business opportunities and retain jobs. These programs will eventually be offered throughout the State, though initially will be focused in Southern California.

"Suppliers and subcontractors realize that to win contracts with the prime contract companies such as Boeing, Lockheed, Northrop Grumman and Raytheon they must be more competitive, nimble and marketable. Likewise, the prime companies would like to do more business with smaller manufacturers to fulfill certain contractual goals with their customers, NASA and the Department of Defense," stated Andrea Seastrand, Executive Director of the CSA.

Through this partnership, CSA we will bring together executives from supplier and prime contractors for educational seminars presented in partnership with the SBA's Santa Ana District Office. The goal is to reach beyond space enterprise companies within the Southern California area to help non-traditional aerospace suppliers gain a footing in the aerospace market.

"We are excited about the opportunities to partner with the California Space Authority to engage and assist small businesses involved in California's diverse space enterprise community," stated District Director Adalberto Quijada. "California can lead the nation's economic recovery and new and existing SBA 8(a) firms stand to benefit tremendously from the expertise provided by the California Space Authority in this highly competitive and technologically advanced industry."

The Santa Ana District Office is proud to be working with the California Space Authority and looks forward to serving the space, aerospace, and manufacturing community of Southern California by assisting them in their vibrancy, growth, and global competitiveness.



**Paul Smith, Adalberto Quijada, Andrea Seastrand, Rachel Baranick, Judy Turner and Ray Wells**



**Andrea Seastrand, Executive Director of the California Space Authority, makes remarks at the signing of a strategic alliance memorandum with the Santa Ana District Office of the SBA**

## Edwards Air Force Base Small Business Seminar



Members of the 8(a) Business Development Team were at Edwards Air Force Base on February 19th participating in the military installation's *Small Business Seminar and Matchmaking* event. The event was hosted by Edwards and provided an opportunity for the base to educate the public on goods and services it is seeking to procure from small businesses.

Lead BDS [Karen Burgess](#) and BDS [Eric Ravelli](#) counseled small business owners on the necessary steps to do business with the federal government. Navigating through this process can feel like a maze sometimes, but it's extremely helpful to have guides like Karen and Eric pointing you in the right direction.

Check out this [short video clip](#) about the event.

For a quick overview on how to do business with the U.S. Air Force, click [here](#).

The U.S. Air Force has a website dedicated to working with small businesses. Be sure to visit it [here](#).

## AeA Technology Business Showcase

BDS [Paul Smith](#) attended and participated in the recent [AeA Technology Business Showcase & Mixer](#) on February 5th at the Renaissance ClubSport in Aliso Viejo. This event showcased AeA member and prospect companies displaying their products in an atmosphere of power networking. Approximately 150 people attended with 25-30 companies on display.

The *Business Showcase* is an integral component of AeA's Growth Matters initiative, as it is an opportunity to showcase the people, products and services of select AeA members.



**Paul Smith with attendees**



**Attendees networking**

## Franchise Showcase

SBA's Lender Relations Specialist, [Stephen Leung](#) and BDS [Paul Smith](#) attended a franchise showcase event recently and were able to interact with many potential franchisees and numerous franchisors. Stephen spoke to attendees about how to utilize SBA's financing programs to fund the purchase of a franchise.

The [OC Small Business Development Center's](#) Ruth Cossio-Muniz, a key SBA Resource Partner, also attended to inform event participants of the many services offered by the SBDC.

The event was presented by [The Entrepreneur's Source](#), a business ownership consulting organization.





**OCSBDC's Ruth Cossio-Muniz**



**SBA's Stephen Leung speaks to the audience**



SBA's Stephen Leung and Paul Smith

## Insight & Inspiration - Finding A Niche

A market in its entirety is too broad in scope for any but the largest companies to tackle successfully. The best strategy for a smaller business is to divide demand into manageable market niches. Small operations can then offer specialized goods and services attractive to a specific group of prospective buyers. Click [here](#) to learn more about finding your niche.